

Per California Code of Regulations, title 2, section 548.5, the following information will be posted to CalHR's Career Executive Assignment Action Proposals website for 30 calendar days when departments propose new CEA concepts or major revisions to existing CEA concepts. Presence of the department-submitted CEA Action Proposal information on CalHR's website does not indicate CalHR support for the proposal.

A. GENERAL INFORMATION

1. Date

2021-10-25

2. Department

Department of Human Resources

3. Organizational Placement (Division/Branch/Office Name)

Savings Plus Program

4. CEA Position Title

Administrator, Savings Plus Program

5. Summary of proposed position description and how it relates to the program's mission or purpose.
(2-3 sentences)

The Administrator, Savings Plus Program formulates, implements, and evaluates policies affecting the Savings Plus Program (SPP) including its fiscal policy and serves as the State's expert in deferred compensation plans and related matters. In addition, the incumbent develops, implements and revises the program and budget policy of the State's Part-Time, Seasonal and Temporary Retirement Plan (PST). The incumbent is a member of the Department's executive management team, and oversees the work of the SPP team.

6. Reports to: (*Class Title/Level*)

Director, California Department of Human Resources

7. Relationship with Department Director (*Select one*)

- ☒ Member of department's Executive Management Team, and has frequent contact with director on a wide range of department-wide issues.
- ☐ Not a member of department's Executive Management Team but has frequent contact with the Executive Management Team on policy issues.

(*Explain*):

8. Organizational Level (*Select one*)

- ☐ 1st ☒ 2nd ☐ 3rd ☐ 4th ☐ 5th (mega departments only - 17,001+ allocated positions)

B. SUMMARY OF REQUEST

9. What are the duties and responsibilities of the CEA position? Be specific and provide examples.

Under the administrative direction of the Director, the Administrator is responsible for the administration of the Savings Plus Program (SPP) and policy development. In addition, the Director delegates to the Savings Plus Investment Committee (Investment Committee), the authority to recommend decisions based upon advice and recommendations presented by its consultants. Through a collaborative partnership with a Third-Party Administrator (TPA), the SPP provides comprehensive financial planning tools and resources that enable employees to make well informed decisions in an effort to achieve a financially stable retirement. The Administrator is a member of the executive management team and is responsible for providing guidance to the Director and the Chief Deputy Director on fiduciary matters. Duties include, but are not limited to, the following:

Manages the full scope of responsibilities associated with administering the supplemental retirement plans offered by the SPP. Ensures plans are executed in compliance with applicable federal and state laws and regulations (including the Internal Revenue Code and the Department of Labor). Stays abreast of proposed legislation impacting defined contribution plans, in order to ensure the program implements associated required program changes/enhancement in compliance with new legislation. Confers with CalHR's Legal Division and external counsel to ensure prudent interpretations of applicable Federal and State laws and regulations.

Develops and maintains a Fiduciary Program for the Investment Committee and the staff which ensures all parties act in the sole interest of the plan's participants and beneficiaries in the administration of the program. Develops and maintains a Governance structure that clearly identifies duties and responsibilities and ensures all governing documents are updated and remain relevant for the proper administration of the program. Responsible for ensuring the program operates using fiscal prudence and in accordance with the exclusive benefit rule.

Serves as a member of the CalHR Executive team carrying out the vision and mission of the department. As a member of the department's Executive Management Team, the incumbent establishes sound strategic direction by developing and implementing creative and innovative business solutions that ensures the Program is equipped to accomplish the department's strategic goals. Actively participates on various teams and committees, including the Executive Governance Council. Leads the program in following a strategic plan for the Program that aligns with CalHR's Strategic Plan and maintains a performance management system to track goals and projects that support the strategic plan. Provide supervision to direct reports including establishing performance expectations, making informed and defensible personnel management decisions, and facilitating effective communication with staff.

Serves as the Chairperson of the Savings Plus Investment Committee (IC). The IC is responsible for establishing and monitoring the Program's investment portfolio and other investment related items. Maintains and oversees compliance with the Investment Policy Statement, reviews and analyzes recommendations provided by the Consultants for potential adoption, and addresses other investment-related concerns or issues. Oversees the activities of the Investment Consultant to develop and implement investment strategies for the Program in such a way as to maximize the total returns of portfolios managed by outside relationships within acceptable risk parameters. Oversees the administration of all investment options offered by the Program; which includes procurement of investment managers, investment consultants, and transition managers and conducting ongoing performance reviews of all contractors to ensure contract compliance and adherence to fiduciary rules and regulations.

Represents the department in discussions related to the Program with numerous organizations, including the Legislature, CalPERS, labor unions, excluded employee groups, state managers and retirees, the TPA, private investment firms, the National Association of Governmental Defined Contribution Administrators (NAGDCA), the California Large Plan Defined Contribution Peer Network (CADCPN) and other committees and boards including the Plan Sponsor Advisory Council. Participates in various industry committees, taskforces, and conferences to stay abreast of advancements and new developments in the retirement and investment industries. Is an active member of NAGDCA, CADCPN, Plan Sponsor Advisory Council and participates in Pension & Investments and other industry associations. Effectively contribute to the Department's equal employment opportunity objectives to create and maintain a fair and equitable work environment. Promote and foster a work culture that is conducive to employee engagement, productivity, and professional development.

B. SUMMARY OF REQUEST (continued)

10. How critical is the program's mission or purpose to the department's mission as a whole? Include a description of the degree to which the program is critical to the department's mission.

- ☒ Program is directly related to department's primary mission and is critical to achieving the department's goals.
- ☐ Program is indirectly related to department's primary mission.
- ☐ Program plays a supporting role in achieving department's mission (i.e., budget, personnel, other admin functions).

Description: California Government Code Sections 19993, 19999.5, and 19999.2 provide the Department of Human Resources (CalHR) authority to establish retirement savings plans for state employees. Under the oversight of the Department's directorate, the Savings Plus Program is responsible for this function and is directly involved in the financial security and administration for all State participants in the 401(k) and 457(b) Plans ("main plans") as well as the Part-Time, Seasonal, and Temporary (PST) Employee Retirement Program mandatory account. The policies and operation of the program affect every aspect of the IRS 457(b) and 401(k) plans and the PST Plan which include program marketing, enrollment, payroll deposits, interfund transfers, fund status reports, retirement payout, tax reporting, and other client services. Consistent with CalHR's mission to provide exceptional human resources leadership and services with integrity, respect and accountability, the Savings Plus Program has a responsibility to state departments, all current and prospective employees, and other stakeholders to administer a comprehensive retirement plan program.

B. SUMMARY OF REQUEST (continued)

11. Describe what has changed that makes this request necessary. Explain how the change justifies the current request. Be specific and provide examples.

The original CEA concept established the Savings Plus Program (SPP) Administrator to carry out duties including formulating, implementing, and evaluating policies affecting the SPP, including administering fiscal policy and serving as the State's expert in deferred compensation plans and related matters. The incumbent is a member of the Department's executive staff and participates as key member of the top management team with significant impact on all policy issues of general concern to the Department and the Administration. In addition, this position has a fiduciary role to the participants of SPP. In this role, the incumbent develops and implements statewide policy on the maintenance and modification of the SPP Program affecting 103,600 participants (as of January 1997) with respect to their deferred compensation/retirement funds which were at \$3.2 billion in January 1997.

While the CEA still serves as the SPP Administrator, several changes have occurred that require changes to the role in order to support the program. This includes representing the department in discussions related to the Program with numerous organizations, including the Legislature, CalPERS, labor unions, excluded employee groups, state managers and retirees, the TPA, private investment firms, the National Association of Governmental Defined Contribution Administrators (NAGDCA), the California Large Plan Defined Contribution Peer Network (CADCPN) and other committees and boards including the Plan Sponsor Advisory Council. Additionally, the CEA sits on various departmental teams and committees including the IT Steering Committee and the Executive Governance Council. The CEA is also responsible for implementing new technology, education and outreach strategies, and marketing strategies related to promoting the SPP.

In 1997 all of SPP investment options were mutual fund options; however, over the years SPP has moved to a more complex structure referred to a fund-of-funds structure whereby active investment options are made up of approximately five independent investment strategies thereby providing a more diversified approach. Additionally the type of investment vehicles have changed from all mutual funds to separate accounts, co-mingled investment trusts (CITs), and a few mutual funds. Separate accounts and CITs allow SPP to offer investment strategies at a low cost; however, as they are not regulated by the Securities Exchange Commission (SEC) they require additional levels of due diligence on the part of the program.

Additionally SPP has moved away from having one contract with a consulting firm to contracting with several consulting firms. SPP has one consulting firm on retainer to assist with all vendor searches and for investment portfolio design, another on retainer to conduct performance reviews, and three general consultants on contract to conduct special projects. The change in structure provides separation of duties between the consultant who helps with vendor selection and the consultant who is responsible for performing performance reviews of vendors. Furthermore, in 1997 the program contracted with one vendor to provide both record keeping and Trustee services, however as the program became more complex, they separated the contract into two distinct contracts. SPP now contracts with one vendor to provide record keeping and third party administrative services (TPA), and another vendor to provide trustee/custodial and serve as SPP's securities lending agent. SPP added a Self-Directed Brokerage Account option, which allows participants to invest their Savings Plus assets outside of the Program's investment lineup and added a Managed Account product for participants that want to pay an additional fee to have their assets managed for them. These two features are incorporated into the TPA contract. Also in 2017, SPP added a new contract and awarded a contract to an independent auditing firm to perform annual financial audits of the program.

Furthermore, SPP has greatly enhanced its governance structure by developing and implementing the following: Strategic Plan, Governance Manual, Investment Policy Statement, Investment Committee Charter, Investment Operations Manual, Fee Policy Statement, Fiduciary Training Program, Annual Fiduciary Checklist, Conduct bi-annual due diligence reviews of all the investment providers, Conduct bi-annual due diligence reviews of the Trustee/Custodian and Securities Lending Agent and conduct quarterly service reviews, Conduct annual due diligence reviews of the TPA and hold quarterly governance meetings, Conduct annual due diligence reviews of the Brokerage Account provider and Conduct annual due diligence reviews of the Managed Account provider.

C. ROLE IN POLICY INFLUENCE

12. Provide 3-5 specific examples of policy areas over which the CEA position will be the principle policy maker. Each example should cite a policy that would have an identifiable impact. Include a description of the statewide impact of the assigned program.

Under California Government Code, CalHR has responsibility to establish retirement savings plans for state employees, which is effectuated by the Savings Plus Program. The Savings Plus Program oversees the administration of the state's \$20 billion defined contribution plans, and is directly involved in the financial security and administration for all State participants in the 401(k) and 457(b) Plans ("main plans") as well as the Part-Time, Seasonal, and Temporary (PST) Employee Retirement Program mandatory retirement program for State of California employees and California State University employees who are not eligible to contribute to a state retirement system and do not pay into Social Security.

The CEA serves as the principle policy maker and top advisor to the Director and Chief Deputy Director on policy issues and activities related to the Savings Plus Program. In this capacity, the CEA has a major role in the formulation and development of statewide policies, including promulgating regulations for the Savings Plus Program. The CEA is necessary to formulate policies and standards and to identify and advocate changes to statute or regulations as needed in order to ensure implementation of legislative mandates and to effectuate the Department's responsibility to state departments and employees by helping state employees build and maximize their retirement savings by providing well-designed investment options and tools to assist with retirement planning.

As a member of CalHR's executive team, the CEA is also the Division Chief of the Savings Plus Division within CalHR and is responsible for all operational needs and oversight to support business continuity. The CEA's role in setting policy will include evaluating, advising, and providing assistance to the Director and Chief Deputy Director on:

- Establishing divisional and departmental goals and objectives to meet the Department's mission and vision.
- Establishing, implementing, and evaluating SPP policy to ensure plans are executed in compliance with applicable federal and state laws and regulations (including the Internal Revenue Code and the Department of Labor) and to ensure compliance with the Investment Policy Statement.
- Developing and maintaining a Fiduciary Program for the Investment Committee and staff to ensure all parties act in the sole interest of the plan's participants and beneficiaries in the administration of the program.
- Establishing and implementing investment strategies for SPP to maximize the total returns of portfolios managed by outside relationships within acceptable risk parameters.
- Developing, implementing, and monitoring performance of the Savings Plus Division to ensure success of mandated functions.

The Savings Plus Program is highly visible and sensitive to issues regarding state employee retirement planning, investments, education and outreach, and other critical issues. These issues have statewide impact due to the breadth of employee participation in the plans, and economic consequences due to the volume of investment and portfolio management involved. Such responsibilities may elicit scrutiny from the Legislature, federal government, other state agencies, the media, and the public.

C. ROLE IN POLICY INFLUENCE (continued)

13. What is the CEA position's scope and nature of decision-making authority?

The CEA serves as the principle policy maker and top advisor to the Director and Chief Deputy Director on policy issues and activities related to the Savings Plus Program. This position is responsible for implementing policy, program management and development, and plan administration for the program. The primary functions of the position are to formulate and evaluate statewide policies and procedures related to the various facets of retirement plan management to ensure compliant administration of retirement plans as required of CalHR by California law.

The CEA is the principle administrator for the Savings Plus Program and has decision-making authority over policy and resource allocation under its programmatic areas. The CEA will work with the Legislature, CalPERS, labor unions, excluded employee groups, state managers and retirees, the Third-Party Administrator (TPA), private investment firms, the National Association of Governmental Defined Contribution Administrators (NAGDCA), the California Large Plan Defined Contribution Peer Network (CADCPN) and other committees and boards including the Plan Sponsor Advisory Council to carry out functions related to administration of the Savings Plus Program.

14. Will the CEA position be developing and implementing new policy, or interpreting and implementing existing policy? How?

The CEA is responsible for ensuring program compliance with federal and state laws and regulations applicable to employee retirement plans (including the Internal Revenue Code and the Department of Labor). The CEA must closely follow proposed legislation impacting defined contribution plans, in order to ensure the program implements associated required program changes/enhancement in compliance with new legislation. As changes occur, the CEA will be responsible for developing and implementing new policy to ensure the plans comply with new legislation. Internally, the CEA will be responsible for evaluating the needs of stakeholders and employees and developing or updating existing policy to ensure the program provides timely and accurate information to participants. In addition, the Savings Plus Program has existing policy that the CEA will be expected to interpret and implement to ensure business continuity of plan administration.